The 3rd quarter of 2019 saw the US stock market reach new all-time highs, with the S&P 500 Index crossing the 3000 threshold to over 3027 on July 26. Continuing its recovery from last year’s sharp 4th quarter correction, the index posted a positive, albeit slightly so, return of 1.7%, bringing its year-to-date return to 20.6%. For the last 12 months, however, the market’s return is not quite as captivating, up only 4.2% since last September.

This failure to significantly extend recent market highs helps explain the lack of excessive exuberance over a market presently trading within 1% of its all-time high. Also contributing to this atmosphere of nervousness and trepidation are deepening concerns over the strength of the global economy, ongoing trade disputes and tariff turmoil, political tensions in Europe, Asia, and the Middle East, and, potentially trumping other concerns, disunity and discord in the US political theater.

International markets continue to underperform versus the domestic market, with the MSCI All Country World Index (Ex-US) returning -1.7% for the quarter and -9.6% since early 2018. The international market might seem to represent compelling value; however, with investments, value is not a timing indicator. Assets and asset classes can and do remain undervalued for excessive periods, and impatient investors may not persist in their investment the entire interval required to achieve satisfactory return. Additionally, for US investors the relative strength (or weakness) of the US Dollar is a significant determinant of the returns from international equity investments. Other things being equal, a US investor earns higher returns from international assets during periods when the dollar is weakening. Presently, the US Dollar is relatively strong, approximately 15% higher than its post-9/11 average, implying that near-term returns from international equities are likely to continue to lag their domestic counterparts. After years of interest rate declines, the bond market back in 2017 seemed poised to begin an upward rate cycle. After peaking at 3.24% last November, though, the 10-Year US Treasury began to rally again, and by last month, the 10-Year yield had fallen to 1.46%. At present, the yield curve remains inverted, albeit with only an approx. -10 basis point differential between 3-Month and 10-Year Treasuries.

The Fed has cut interest rates twice in the past three months following 9 increases in the preceding 3 ½ years. It is widely expected to cut rates at least once more this year with at least one more cut predicted next year. While US interest rates remain low, government bond interest rates in Europe and Japan are negative reflecting weakening economic prospects across the globe. In this context, our low-yielding bond market remains attractive; however, investors should emphasize liquidity and credit quality in bond investments. With US risk-free interest rates (T-Bill yields) recently averaging only 0.75%, bond investments have become less attractive, as equities — albeit not risk-free — might offer higher income returns along with greater appreciation potential. Presently the S&P 500 Index yields around 1.8%, which compares favorably with bond yields. Many blue-chip equities can be found with even higher dividend yields. Where suitable some investors might benefit from allocating a portion of what might traditionally have been invested in bonds into dividend-paying and dividend-growing equities.

Entering 2019’s final quarter, the market awaits potentially unsettling news on the economic, earnings and political fronts. Nonetheless, opportunities remain as economic expansion continues and the US appears likely to avoid recession for the time being. With the market’s strong performance year-to-date, it is prudent to consider taking some profits — and risk — off the table and locking in at least a portion of the year’s strong gains. Building additional cash reserves, in light of the lackluster opportunities offered in the fixed income markets could prove prescient. Your Uhlmann Price Financial Advisor can help you optimize the return/risk trade-offs of today’s lower potential return market environment, and help you find value for your financial portfolio.

Kirk E. Rascher, CFA
Executive Vice President
On behalf of Uhlmann Price Securities
Investment Committee
Ten Year-End Tax Tips for 2019

Here are 10 things to consider as you weigh potential tax moves between now and the end of the year.

1. Set aside time to plan
Effective planning requires that you have a good understanding of your current tax situation, as well as a reasonable estimate of how your circumstances might change next year. There’s a real opportunity for tax savings if you’ll be paying taxes at a lower rate in one year than in the other. However, the window for most tax-saving moves closes on December 31, so don’t procrastinate.

2. Defer income to next year
Consider opportunities to defer income to 2020, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services. Doing so may enable you to postpone payment of tax on the income until next year.

3. Accelerate deductions
You might also look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as medical expenses, qualifying interest, and state taxes before the end of the year (instead of paying them in early 2020) could make a difference on your 2019 return.

4. Factor in the AMT
If you’re subject to the alternative minimum tax (AMT), traditional year-end maneuvers such as deferring income and accelerating deductions can have a negative effect. Essentially a separate federal income tax system with its own rates and rules, the AMT effectively disallows a number of itemized deductions. For example, if you’re subject to the AMT in 2019, prepaying 2020 state and local taxes probably won’t help your 2019 tax situation, but could hurt your 2020 bottom line. Taking the time to determine whether you may be subject to the AMT before you make any year-end moves could help you avoid a costly mistake.

5. Bump up withholding to cover a tax shortfall
If it looks as though you’re going to owe federal income tax for the year, especially if you think you may be subject to an estimated tax penalty, consider asking your employer (on Form W-4) to increase your withholding for the remainder of the year to cover the shortfall. The biggest advantage in doing so is that withholding is considered as having been paid evenly throughout the year instead of when the dollars are actually taken from your paycheck. This strategy can also be used to make up for low or missing quarterly estimated tax payments. With all the recent tax changes, it may be especially important to review your withholding in 2019.

6. Maximize retirement savings
Deductible contributions to a traditional IRA and pre-tax contributions to an employer-sponsored retirement plan such as a 401(k) can reduce your 2019 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so by year-end.

7. Take any required distributions
Start taking required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans (an exception may apply if you’re still working for the employer sponsoring the plan). Take any distributions by the date required — the end of the year for most individuals. The penalty for failing to do so is substantial: 50% of any amount that you failed to distribute as required.

8. Weigh year-end investment moves
You shouldn’t let tax considerations drive your investment decisions. However, it’s worth considering the tax implications of any year-end investment moves that you make. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses over and above the amount of your gains can be used to offset up to $3,000 of ordinary income ($1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

9. Beware the net investment income tax
Don't forget to account for the 3.8% net investment income tax. This additional tax may apply to some or all of your net investment income if your modified adjusted gross income (AGI) exceeds $200,000 ($250,000 if married filing jointly, $125,000 if married filing separately, $200,000 if head of household).

10. Get help if you need it
There’s a lot to think about when it comes to tax planning. That’s why it often makes sense to talk to a tax professional who is able to evaluate your situation and help you determine if any year-end moves make sense for you.
Five Retirement Lessons from Today’s Retirees

Each year for its Retirement Confidence Survey, the Employee Benefit Research Institute (EBRI) surveys 1,000 workers and 1,000 retirees to assess how confident they are in their ability to afford a comfortable retirement. Once again, in 2019, retirees expressed stronger confidence than workers: 82% of retirees reported feeling “very” or “somewhat” confident, compared with 67% of workers. A closer look at some of the survey results reveals various lessons today’s workers can learn from current retirees.

Current sources of retiree income
Let’s start with a breakdown of the percentage of retirees who said the following resources provide at least a minor source of income:

- Social Security: 88%
- Personal savings and investments: 69%
- Defined benefit/traditional pension plan: 64%
- Individual retirement account: 61%
- Workplace retirement savings plan: 54%
- Product that guarantees monthly income: 33%
- Work for pay: 25%

Lesson 1: Don’t count on work-related earnings
Perhaps the most striking percentage is the last one, given that 74% of today’s workers expect work-related earnings to be at least a minor source of income in retirement. Currently, just one in four retirees works for pay.

Lesson 2: Have realistic expectations for retirement age
Building upon Lesson 1, it may benefit workers to proceed with caution when estimating their retirement age, as the Retirement Confidence Survey consistently finds a big gap between workers’ expectations and retirees’ actual retirement age.

In 2019, the gap is three years: Workers said they expect to retire at the median age of 65, whereas retirees said they retired at a median age of 62. Three years can make a big difference when it comes to figuring out how much workers need to accumulate by their first year of retirement. Moreover, 34% of workers reported that they plan to retire at age 70 or older (or not at all), while just 6% of current retirees fell into this category. In fact, almost 40% of retirees said they retired before age 60. The reality is that more than four in 10 retirees retired earlier than planned, often due to a health issue or change in their organizations.

Lesson 3: Income is largely a result of individual savings efforts
Even though 64% of current retirees have defined benefit or pension plans, an even larger percentage say they rely on current savings and investments, and more than half rely on income from IRAs and/or workplace plans. Current workers are much less likely to have defined benefit or pension plans, so it is even more important that they focus on their own savings efforts.

Lesson 4: Some expenses, particularly health care, may be higher than expected
While most retirees said their expenses were “about the same” or “lower than expected,” approximately a third said their overall expenses were higher than anticipated. Nearly four out of 10 said health care or dental expenses were higher.

Lesson 5: Keep debt under control
Just 26% of retirees indicated that debt is a problem, while 60% of workers said this is the case for them. Unfortunately, debt can hinder retirement savings success: seven in 10 workers reported that their non-mortgage debt has affected their ability to save for retirement. Also consider that 32% of workers with a major debt problem were not at all confident about having enough money to live comfortably in retirement, compared with just 5% of workers who don’t have a debt problem.

As part of their overall financial strategy, workers may want to develop a plan to pay down as much debt as possible prior to retirement.
How much will health care cost?
Retirement health-care costs will vary depending on your health and longevity, but it may help to have a guideline. These are the estimated savings required for an individual or couple who turned 65 in 2019 to have a 90% chance of meeting expenses for Medicare Part B health insurance, Part D prescription drug coverage, Medigap Plan F, and out-of-pocket drug costs, assuming median prescription drug expenses.* These estimates do not include services not covered by Medicare or Medigap.

![Diagram showing estimated costs for individuals and couples](Image)

*Medigap Plan F is used for these estimates because it is the most comprehensive coverage available and simplifies the calculation. However, this plan may not be available for new beneficiaries after January 1, 2020. Current enrollees may keep Plan F, and most other plans will remain available for new enrollees.

Source: Employee Benefit Research Institute, 2019

What health services aren’t covered by Medicare?
Original Medicare — Part A hospital insurance and Part B medical insurance — offers broad coverage, but many services are not covered.

Some may be fully or partially covered by a Part C Medicare Advantage Plan, which replaces Original Medicare, or a Medigap policy, which supplements Original Medicare. Both are offered by Medicare-approved private insurers. (You cannot have both a Medicare Advantage Plan and a Medigap policy.)

Whether you are looking forward to Medicare in the future or are already enrolled, you should consider these potential expenses.

**Deductibles, copays, and coinsurance.** Costs for covered services can add up, and — unlike most private insurance — there is no annual out-of-pocket maximum. Medicare Advantage and Medigap plans may pay all or a percentage of these costs and may include an out-of-pocket maximum.

**Prescription drugs.** For coverage, you need to enroll in a Part D prescription drug plan or a Medicare Advantage plan that includes drug coverage.

**Dental and vision care.** Original Medicare does not cover routine dental or vision care. Some Medicare Advantage and Medigap plans may offer coverage for either or both of these needs. You might also consider private dental and/or vision insurance.

**Hearing care and hearing aids.** Some Medicare Advantage plans may cover hearing aids and exams.

**Medical care outside the United States.** Original Medicare does not offer coverage outside the United States. Some Medicare Advantage and Medigap plans offer coverage for emergency care abroad. You can also purchase a private travel insurance policy.

**Long-term care.** Medicare does not cover “custodial care” in a nursing home or home health care. You may be able to purchase long-term care (LTC) insurance from private insurers.

A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the LTC insurance policy. It should be noted that LTC insurance carriers have the discretion to raise their rates and remove their products from the marketplace.